



Community Revitalization Fund (CRV) PROGRAM CONCEPT

Agency Mission and Strategic Priorities

Minnesota Housing finances and advances affordable housing opportunities for low and moderate income Minnesotans to enhance quality of life and foster strong communities. Minnesota Housing's strategic priorities are to:

- Finance new affordable housing opportunities
- Increase emerging market homeownership
- Preserve existing affordable housing
- Addressing the foreclosure crisis through prevention and recovery.
- End long-term homelessness,

CRV Program Background

The Community Revitalization Fund (CRV) is the umbrella name for a variety of Minnesota Housing's limited funding resources provided under one program. Funding resources include the Economic Development and Housing Challenge Fund Program (Challenge Program), and interim financing.

CRV Program Goal

To maintain and/or increase the supply of affordable, owner-occupied, single family housing in neighborhoods and communities throughout Minnesota.

Eligible Applicants

Eligible applicants include the following:

- A nonprofit organization, as defined in Minnesota Statutes, section 462A.03, subdivision 22;
- A city, as defined in Minnesota Statutes, section 462A.03, subdivision 21;
- A joint powers board established by two or more cities that owns or will own the housing;
- A public housing agency that owns or will own the housing. A public housing agency is any state, county, municipality, or other governmental entity or public body (or agency or instrumentality thereof) that is authorized to engage or assist in the development or operation of low-income housing;
- An Indian tribe or tribal housing corporation that owns or will own the housing;
- A natural person who owns or will own the housing; or
- A private developer. A private developer is an individual or a for-profit non-governmental entity, including but not limited to a cooperative housing corporation.

Owner-Occupied Housing Requirements

To be eligible for funds, the owner-occupied housing proposal must be:

- Attached or detached, residential in nature, and able to be used profitably for a minimum of ten years after the end of the loan term;
- Occupied by an eligible homebuyer (see program income limits);
- Affordable to the local workforce and;
- Able to be completed no later than the date that is 20 months after the date on which the administrator executes a CRV Fund Availability, Disbursement and Loan/Grant Agreement.

Eligible Use & Types of Funds Available

All proposed projects must, at a minimum, provide decent, safe, affordable single-family owner-occupied housing that conforms to the Minnesota State Building code and/or local codes and regulations, with the more restrictive codes and regulations prevailing.

The type, terms and conditions of assistance will vary depending upon the needs outlined in each proposal and the availability of funding resources. Generally, if an activity may be addressed through a loan rather than a grant, a loan will be offered.

All applicants are encouraged to form working partnerships with one or more entities to achieve the objectives stated in their proposal.

NOTE: If your organization is awarded funds, administration of the Program must comply with all the requirements listed within the CRV Program Procedural Manual which is found on Minnesota Housing's website at:

<http://www.mnhousing.gov/partners/lenders/programs/index.aspx>

Use of Funds

The CRV fund may be used to address the following activities related to single family, owner occupied housing, including manufactured homes:

- Acquisition of land or existing structures;*
- Construction of housing;
- Rehabilitation of housing;
- Conversion to owner-occupied housing from another use;
- Demolition or removal of existing structures;**
- Interim financing;
- Reduction of interest rates if used in conjunction with CFUF;
- Refinancing of existing loans;***
- Financing to fill a funding gap (affordability/value);
- Innovative approaches to housing construction or rehabilitation (i.e.; construction methods, materials, financing etc.).

* Land acquisition for affordable new development is an eligible activity. Applicants must certify that certain requirements will be met. Refer to the Land Acquisition for Affordable New Development (LAAND) Initiative Description found at:

<http://www.mnhousing.gov/resources/apply/rfp/index.aspx>

** If funds are awarded for demolition or removal of existing structures, the cleared land must be used for the construction of housing to be owned by persons who meet the CRV income limits or for other housing related purposes that primarily benefit the persons residing in the adjacent housing.

*** Individuals cannot apply for CRV funding to refinance an existing mortgage.

Type of Funds Available

A. Interim Financing

Minnesota Housing may provide an interim loan to acquire, rehabilitate, demolish, or construct owner-occupied housing. Interim loans will bear interest at a rate of two percent. Projects that use innovative building techniques and/or building materials may also qualify for interest-free funding.

The term of an interim loan is 20 months. Minnesota Housing may adjust the loan term based on requirements and conditions of other funding sources related to the loan term or economic analysis by Minnesota Housing's staff of the financial feasibility of the owner-occupied housing. The determination of financial feasibility shall be based on whether all sources of funding are available and sufficient to cover the total development costs of the housing. Principal and interest, if any, shall be due and payable at the end of the term or when the home is sold, whichever comes first. Interim loans shall not be transferred to eligible homebuyers.

Visitability requirements apply for all new construction of single-family homes, duplexes, triplexes, and multilevel town homes financed in whole or in part through Minnesota Housing's state appropriated interim construction loan funds. Minnesota Housing typically offers some construction loan financing under the RFP from non-appropriated funds which do not require visitable unit construction.

The Land Acquisition for Affordable New Development (LAAND) initiative of Minnesota Housing, and the Metropolitan Council "the Funders", provides statewide financing to encourage communities to meet their affordable housing need. The LAAND program is intended to be a flexible source of funding to meet communities' affordable housing needs. The LAAND initiative integrates local control with statewide priorities. Funding is structured as a deferred loan, available for up to five years, to fund the acquisition of land for future affordable housing. The funding initiative prioritizes land that is close to job growth areas or significant numbers of lower wage jobs, allows for density that is consistent with achieving affordability, minimizes vehicle miles traveled, and implements Green Communities Criteria and the Minnesota Overlay to the Green Communities Criteria, in the development process.

B. Deferred Loans

If awarded deferred loan funds, the applicant/administrator **must** provide the funds to an eligible homebuyer in the form of an interest-free deferred loan. One use of a deferred loan may be used to help bridge an affordability gap not covered by a borrower's first mortgage or other sources of funding for owner-occupied housing. Affordability gap is financing required to cover the gap between a homes appraised value/fair market sales price and what the prospective buyer can afford. The assistance provided by Minnesota Housing and its funding partners for affordability gap must be "needs-based." The application must provide documentation as to how the need is determined.

An eligible homebuyer is required to execute a CRV Mortgage and CRV Mortgage Note at the time of end loan closing. The applicant/administrator must record the CRV Mortgage and assign the CRV Mortgage to Minnesota Housing. Once the CRV mortgage and assignment are recorded, the applicant/administrator must send a copy of the recorded documents to Minnesota Housing along with the original CRV Mortgage Note endorsed to Minnesota Housing. Minnesota Housing will be responsible for servicing the CRV Mortgage.

A deferred loan must be repaid as specified under “Repayment Provisions.”

C. Grants

Minnesota Housing may provide a grant if the funds will be used to finance (i) value gap, which is the gap that exists between the total development costs and the appraised value/fair market sales price of the housing or (ii) other eligible activities for which Minnesota Housing could not recapture loans without increasing housing costs beyond that which the eligible homebuyer could afford. In deciding to award grant funds, Minnesota Housing shall also consider administrative ease and whether the award would expand and preserve affordable housing opportunities over time. Grants generally do not require repayment.

Funds Available

Based upon legislative approval, Minnesota Housing expects that approximately \$12 million will be available for both Single Family and Multifamily proposals under the Challenge Fund, of which \$1.395 million is set-aside for Indian housing. In addition, approximately \$3 million in interim financing is available through the SF RFP.

CRV funding is very limited and highly competitive. A general funding limit per proposal has been established at \$500,000. Proposals requesting funds over this limit are contingent upon Minnesota Housing Board of Director’s approval.

Repayment Provisions

Minnesota Housing governs the use and repayment of all program funds. The term of the fund award begins with the administrator’s receipt of a written CRV Fund Availability, Disbursement and Loan/Grant Agreement.

Interim loan repayments plus interest, (if applicable) by the program administrator is required when one or more of the following occurs:

- The project is completed and the home is sold to an eligible buyer.
- The administrator ceases to use the funds as stated in the application.
- The administrator does not use the funds within the time frame allowed.
- If the administrator does not use funds as stated in the executed Agreement with Minnesota Housing.

Deferred Loans must be repaid, typically by the homebuyer/homeowner when:

- The owner-occupied housing constructed, acquired or improved with the proceeds of the deferred loan is sold, transferred or otherwise conveyed by the eligible homebuyer.
- The eligible homebuyer ceases to use owner-occupied housing constructed, acquired or improved with the proceeds of the deferred loan as owner-occupied housing.
- On the date that is 30 years from the date of the loan closing, whichever occurs first.
- The administrator does not use the funds within the time frame allowed.

Grants generally do not require repayment.

Revolving Funds: The applicant/administrator may (on a case-by-case basis) retain the proceeds of the funds under the following conditions, if the project remains feasible and if approved in writing by Minnesota Housing:

- The administrator uses the program funds for the same purpose for which Minnesota Housing originally awarded the funds; and
- The location of the owner-occupied housing to be acquired, rehabilitated, or constructed with the funds is identified in the application.
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Note: In most cases, Minnesota Housing will require repayment and funds will not revolve.

Program Income Limits

Income limits for eligible activities that receive financing from CRV cannot exceed 115% of the greater of state or area median income (gross household income). See the Single Family web page for specific income limits at

http://www.mnhousing.gov/resources/resources/limits/MHFA_004718.aspx

A minimum of 20% of units funded through the LAAND program must be affordable to households earning 60% of area median income in the Metropolitan area and 80% of area median income in Greater Minnesota.

Scoring Information

All CRV Proposals will be discussed, evaluated, scored and ranked by a selection committee on each of the selection standards, funding priorities (noted below) and additional information as requested within the application.

The selection committee is comprised of Minnesota Housing staff and various, partner representatives. Funding partners' selection criteria may differ from Minnesota Housing's.

CRV Selection Standards and Funding Priorities

For a proposal to be considered for funding, the Selection Standards, Funding Priorities and additional requirements will be used to evaluate, score and rank Minnesota Housing's proposals.

I. Selection Standards. To be considered for funding the applicant must satisfy the following threshold requirements/criteria:

- A. Project Feasibility.** The nature of the proposed site; whether the proposed housing is needed in the market that is intended to be served based on demographic and employment data; whether costs of developing the housing is economically feasible; project shows cost containment and is development ready.
- B. Organizational Capacity.** The applicant's purpose and mission; related housing experience; and whether the applicant has successfully completed projects or is partnering with other organizations that have successfully completed similar projects.

II. Funding Priorities. Minnesota Housing shall give priority in awarding loans or grants under the CRV program to those proposals that best address the greatest number of the following priorities:

- A. The extent to which the proposal includes contributions that comply with Minnesota Statutes, section 462A.33, subdivision 3, and whether the proposal includes contributions from a unit of local government, an area employer, a private philanthropic, religious, or charitable organization.
- B. The extent to which the proposal addresses the housing needs of underserved populations.
- C. The extent to which the proposed housing is located near jobs, transportation, including regional and interregional transportation corridors and transit-ways, recreation, retail services, social and other services and schools.
- D. The extent to which the proposed housing is part of the infrastructure necessary to sustain economic vitality.
- E. The extent to which the proposed housing maximizes the adaptive reuse of existing buildings and the use of existing infrastructure. If the proposal includes new housing, Minnesota Housing shall consider the extent to which the efficient use of land and infrastructure is maximized and the loss of agricultural land and green space is minimized.
- F. The extent to which private investment is included as a funding source.
- G. The projected long-term affordability of the proposed housing activity.
- H. The extent to which the proposed housing provides or maintains housing opportunities for households with a wide range of incomes and housing needs within a community or provides housing opportunities for a wide range of incomes within the proposed housing.
- I. The extent to which the cost per unit is held as low as possible while not compromising the quality and sustainability of the proposed housing.
- J. The extent to which the proposal identifies and includes identifiable cost avoidance or cost reductions from regulatory changes, incentives, or waivers by the local governing body, including but not limited to:
 - (1) Density bonuses,
 - (2) Reduced setbacks and parking requirements,
 - (3) Decreased road widths,
 - (4) Flexibility in site development standards and zoning code requirements, waiver of permit or impact fees,
 - (5) Fast-track permitting and approvals, and
 - (6) Other regulatory incentives that will result in cost avoidance or reductions

If a proposal identifies and includes costs savings, the proposal must provide a quantified breakdown of such cost savings due to regulatory incentives.

- K. The extent to which the site and design of the proposed housing is suitable for the housing needs of the proposed homebuyer populations.
- L. The extent to which the applicant has the capacity and ability to start the proposed project in a timely fashion and ability to complete the proposed project within funding agreement terms.
- M. The extent to which the proposal addresses returning vacant and foreclosed properties to occupancy by low and moderate income households.

Community Revitalization Program (CRV) Contacts

For technical assistance, please contact any of the Minnesota Housing staff listed below.

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